

**Introduced by Senator Cannella**

February 18, 2011

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An act to add Section 11346.31 to the Government Code, relating to regulations.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 639, as introduced, Cannella. Regulations: economic impact analysis.

The Administrative Procedure Act generally sets forth the requirements for the adoption, publication, review, and implementation of regulations by state agencies.

This bill would additionally require the California Environmental Protection Agency, the entities that comprise that agency, and the Division of Occupational Safety and Health, when proposing to adopt, amend, or repeal an administrative regulation, to complete an economic impact analysis of that action prior to the adoption, amendment, or repeal. The bill would require the economic impact analysis to contain the projected cost of the action to the General Fund, the projected total economic impact of the action, including the cost to private sector employers and the estimated number of jobs to be lost, a description of all feasible regulatory alternatives and a cost-benefit analysis of each alternative, and a summary of written comments, as specified. The bill would require the agency to subject the report to a review by an independent entity, as defined, and to make the economic impact report available on the agency's Internet Web site.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. The Legislature finds and declares all of the  
2 following:

3     (a) The residents of the state expect that their state government  
4 will enact laws and promulgate regulations to the general benefit  
5 of the people and that regulations promulgated will tend to  
6 maximize benefits to society while minimizing costs.

7     (b) Administrative and regulatory actions can have significant  
8 and far-reaching consequences for individuals, nonprofit  
9 organizations, and businesses throughout the state.

10    (c) Administrative and regulatory actions should be based on  
11 adequate information concerning the need for, and consequences  
12 of, the proposed action.

13    (d) Administrative and regulatory actions that maximize benefits  
14 to society while minimizing costs are preferable to actions that  
15 tend toward the opposite.

16    (e) The agencies, boards, departments, and offices of the state  
17 generally strive to promulgate regulations that benefit the people  
18 of the state.

19    (f) The Legislature has in numerous instances required that the  
20 agencies, boards, departments, and offices of the state take cost  
21 considerations into account when promulgating regulations.

22    (g) The Legislature has specifically required that the scientific  
23 basis of environmental protection regulations be subject to analysis  
24 and peer review.

25    (h) The costs and benefits of other regulations promulgated by  
26 agencies that affect jobs in this state and the overall business  
27 climate should be equally subject to analysis.

28    SEC. 2. Section 11346.31 is added to the Government Code,  
29 to read:

30    11346.31. (a) This section is limited in its applicability to the  
31 California Environmental Protection Agency, the boards,  
32 departments, and offices that make up that agency, and the Division  
33 of Occupational Safety and Health.

34    (b) In addition to any other requirement, a state agency included  
35 in subdivision (a) that proposes to adopt, amend, or repeal an  
36 administrative regulation shall complete an economic impact  
37 analysis of that action prior to the adoption, amendment, or repeal.  
38 The economic impact analysis shall include all of the following:

1 (1) The projected cost of the action to the General Fund.

2 (2) The projected total economic impact of the action, including  
3 the cost to private sector employers and the estimated number of  
4 jobs to be lost as a result of the action.

5 (3) A description of all feasible regulatory alternatives and a  
6 cost-benefit analysis of each alternative.

7 (4) A summary of the written comments regarding the proposed  
8 action received a reasonable time prior to the publication of the  
9 written analysis, including letters, memoranda, reports, and written  
10 allegations, of which the agency has knowledge, that the action is  
11 discriminatory, unfair, unclear, inconsistent with statute, or beyond  
12 the authority of the agency to enact.

13 (c) (1) An agency subject to this section shall satisfy the  
14 requirements imposed by subdivision (b) by either:

15 (A) Retaining, at the agency's cost, an independent entity that  
16 has demonstrated experience in economic analysis, for the purpose  
17 of producing the economic impact report.

18 (B) Performing the economic impact report and submitting the  
19 report, at the agency's cost, to an independent entity that has  
20 demonstrated experience in economic analysis, for the purpose of  
21 obtaining an independent external review of the report.

22 (2) For purposes of this subdivision, "independent entity" means  
23 a private firm, an individual private person, or a public or private  
24 university.

25 (d) An agency shall make the economic impact report described  
26 in subdivision (b) available on the agency's Internet Web site.